



House of Representatives

General Assembly

File No. 125

February Session, 2006

House Bill No. 5677

House of Representatives, March 23, 2006

The Committee on General Law reported through REP. STONE, C. of the 9th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING SURETY BONDS AND CONSTRUCTION CONTRACTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (b) of section 49-41a of the 2006 supplement to
2 the general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective October 1, 2006*):

4 (b) If payment is not made by the general contractor or any of its
5 subcontractors in accordance with such requirements, the
6 subcontractor shall set forth his claim against the general contractor
7 and the subcontractor of a subcontractor shall set forth its claim
8 against the subcontractor through notice by registered or certified
9 mail. Ten days after the receipt of that notice, the general contractor
10 shall be liable to its subcontractor, and the subcontractor shall be liable
11 to its subcontractor, for interest on the amount due and owing at the
12 rate of one per cent per month. In addition, [if a surety bond is not in
13 place,] the general contractor, upon written demand of its
14 subcontractor, or the subcontractor, upon written demand of its

15 subcontractor, shall be required to place funds in the amount of the
16 claim, plus interest of one per cent, in an interest-bearing escrow
17 account in a bank in this state, provided the general contractor or
18 subcontractor may refuse to place the funds in escrow on the grounds
19 that the subcontractor has not substantially performed the work
20 according to the terms of his or its employment. In the event that such
21 general contractor or subcontractor refuses to place such funds in
22 escrow, and the party making a claim against it under this section is
23 found to have substantially performed its work in accordance with the
24 terms of its employment in any arbitration or litigation to determine
25 the validity of such claim, then such general contractor or
26 subcontractor shall pay the attorney's fees of such party.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>October 1, 2006</i>	49-41a(b)
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GL *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill makes various changes to laws regarding contractors and surety bonds. There is no fiscal impact.

The Out Years

There is no fiscal impact in the out years.

OLR Bill Analysis
HB 5677**AN ACT CONCERNING SURETY BONDS AND CONSTRUCTION CONTRACTS.****SUMMARY:**

The law requires public works contracts for which a payment bond is required to include certain provisions establishing a payment schedule. This bill requires a general contractor or subcontractor, regardless of whether a surety bond is in place, to deposit funds in an interest-bearing escrow account on the written demand of its subcontractor if (1) a payment is not made according to the contract schedule, (2) 10 days have passed since the payment date, and (3) the subcontractor has sent a payment demand by registered or certified mail. Under current law, the general contractor or subcontractor must escrow funds under these conditions only if a surety bond is not in place. By law, unchanged by the bill, the escrowed amount must be for the amount that the general contractor or subcontractor is liable, which is the amount of the claim plus 1% per month interest. The contractor or subcontractor may refuse to escrow funds if he contends that his subcontractor has not substantially completed the work according to the terms of the contract.

EFFECTIVE DATE: October 1, 2006

COMMITTEE ACTION

General Law Committee

Joint Favorable

Yea 15 Nay 0 (03/09/2006)